

## Issue 40: INSIDER'S EDGE: Advance Premium Tax Credits



Happy New Year and welcome back, Insiders!

With the calendar advancing to a new year, now is the perfect time to talk about an issue many readers have questions about—advance premium tax credits (APTC)!

I know at least a few of you are thinking, “Tax stuff already? I just got back!” Fret not, Insiders, I’ll keep it simple and quick!

### **APTC: A quick refresher for those still recovering from ringing in the New Year....**

Starting in 2014, if an individual gets their health insurance coverage through Maryland Health Connection, they may be eligible for the Premium Tax Credit. APTC can help make purchasing a qualified health plan (QHP) more affordable for households with incomes less than 400% FPL.

### **Can a person take less than the advance premium tax credit for which they qualify?**

Yes. If an individual qualifies for APTC, they may choose how much advance credit payments to apply to their premiums each month, up to a maximum amount. So what does this mean in practice? If an individual is eligible for the credit, they can choose to:

- **Get It Now:** have some or all of the estimated credit paid in advance directly to their insurance company to lower what they pay out-of-pocket for their monthly premiums during 2014; or
- **Get It Later:** wait to get all of the credit when they file their 2014 tax return in 2015.



**What happens if a person chooses to take *less* than estimated amount of APTC for which they are eligible?**

If the amount of advance credit payments a person gets for the year is less than the tax credit he or she has due, they will receive the difference as a refundable credit when they file their federal income tax return.

**What if a person receives *more* APTC than they should have?**

If someone's advance payments for the year are more than the amount of their credit, they must repay the excess advance payments with their tax return. This could occur if someone experienced an unexpected increase in income after applying for benefits, but they did not report it to Maryland Health Connection during 2014 so their APTC amount could be adjusted.

**Can a person receive APTC to purchase a qualified health plan (QHP) if they are eligible for Medicaid?**

No. Individuals can decline Medicaid coverage and choose to enroll in a QHP; however, they will *not* be eligible for APTC or cost sharing reductions (CSR) to help cover the cost of the QHP.

If the consumer does not want enroll in Medicaid, please advise them that they will need to re-apply for coverage using Maryland Health Connection. At the beginning of the application form, consumers are asked "Do you want to find out if you can get free or low-cost health coverage or assistance paying for it?" A consumer who would otherwise be found eligible for Medicaid must answer "No" to this question in order to be able to shop for a QHP.

**Want to learn more?** Visit <http://www.irs.gov/uac/The-Premium-Tax-Credit>.



*Tuckered out? Don't worry, that's all for today!*

**Questions?** Send them to [dhmh.medicaidmarge@maryland.gov](mailto:dhmh.medicaidmarge@maryland.gov).